

Daniel P. Vrakas
County Executive

Norman A. Cummings
Director

Waukesha COUNTY

DEPARTMENT OF ADMINISTRATION

December 15, 2005

Board of Supervisors
Waukesha County Courthouse
515 West Moreland Boulevard
Waukesha, Wisconsin 53188

Honorable County Board Members:

Balancing the taxpayer's ability to pay with maintaining quality government services is the key overall goal of County budgeting. By carefully weighing core priorities with prudent budget management policies and practices, the County property tax rate has been reduced for the 16th consecutive year. As proposed, it will drop by \$0.15 to \$1.96 per \$1,000 of equalized value. This is the lowest Waukesha County tax rate in at least 40 years.

The County's Adopted budget addresses several challenges and significant impacts including:

- Jail expansion project operating cost impacts
- Escalating energy costs
- Employee health care and Wisconsin retirement contribution cost increases
- Insufficient state and federal revenues to fully fund increasing mandate costs
- Growing demands from customers in several service sectors

During these challenging times, it is important that the County remains focused on proven budget philosophies and key values to continue providing quality services to its citizens. This budget retains the County's fiscal integrity and serves the best interests of our citizens now and in the long run.

TAX IMPACT ON HOMEOWNERS

Based on an average 2005 home value of \$256,700 (2000 U.S. Census Bureau value of \$182,900 adjusted annually for residential market inflation), the average County residential taxpayer will realize a tax increase of about 1.5% in 2006. Since the best measure of tax performance is over the long term, it is important to know that the County's property taxes have averaged only a 1.4% increase per year for the past ten years, which is below the rate of inflation for this same period.

LIMITING TAXES AND SPENDING

Our growing County continues to pose the challenge of meeting the demand for quality services while limiting spending and tax increases. The 2005 County property tax (General and Federated Library tax), excluding debt service levy, totals \$78,416,482 (for 2006 budget purposes).

1320 Pewaukee Road
Waukesha, Wisconsin 53188
Phone: (262) 548-7020
Fax: (262) 548-7913

Even though state law would allow us to increase the County's tax levy by 2.8%, we chose to limit taxes to only 2.2%, which represents an increase of \$1,691,516 from the comparable 2004 tax levy. This spending control demonstrates our commitment to maintaining the County's exceptional fiscal health.

Budget expenditure appropriations in 2006 total \$251,215,355. This is a reduction of over \$3.1 million and consists of \$20,684,700 in capital project spending and \$230,530,655 in operating expenditures. The capital expenditure budget is reduced by \$9.0 million and the operating expenditure budget increases by \$5.9 million or only about 2.6%.

The major budget driver in 2006 is \$1.4 million of new tax levy to provide for the first full year operating impacts to operate the 278 bed Jail expansion, which is an unfortunate necessity. This Jail addition impact expands to a full year of budget funding, to include 5 new jail positions being phased-in over the next year (for a total of 33.5 new Jail expansion positions), and Public Works utilities and maintenance costs, which include a full year impact of 4 new positions created in the 2005 budget for the Jail opening in the 4th quarter.

An initiative to control access to and to secure the perimeter of the Courthouse and Administration Center is included at a cost of \$200,000 with start up planned for the 2nd quarter. In addition, energy, employee health care insurance, and pension costs are all estimated to rise faster than the rate of inflation. Natural gas to heat county facilities is assumed to increase 12% for the second year in a row and electricity is projected to rise 7%, resulting in higher budget energy costs in excess of \$150,000. Fuel cost for vehicle operations is assumed to increase by 20% or nearly \$160,000. Employee health insurance costs are estimated to rise by 6% and the Wisconsin retirement pension contribution will require a 5% increase. Taken together, all of these factors have made this year's budget even more challenging than in past years.

A key factor in controlling spending is to control personnel costs, particularly new position growth. This budget does that by adding only 5.0 FTE net new positions related to the Jail addition.

REGIONAL COOPERATION

The County continues to work in collaboration with regional partners to gain efficiencies and provide cost effective services. The following are just a few of those areas:

- Waukesha and Milwaukee Counties' Health and Human Service departments are planning to implement a joint initiative through a State Crisis Intervention Planning Grant. The two agencies will build on organizational strengths and expertise in diverting individuals, both mental health clients and the developmentally disabled, from hospitalization, improving crisis services for kids, and gaining access to respite services as developed by Milwaukee County. Due to the expanded capacity, crisis intervention program funding is budgeted to increase \$100,000.
- The Departments of Emergency Preparedness and Administration - Information Technology Division are working cooperatively with Milwaukee County, Ozaukee County, Racine County and the City of Milwaukee in applying for Federal grants to fund the infrastructure to begin providing the data linkage necessary for future interoperable public safety emergency response communications equipment.
- A Southeastern Wisconsin Regional Planning Commission (SEWRPC) study of future water resources and supply needs is in its 3rd year of a 4-year program, which is cooperatively funded by participating counties and is included in the Parks and Land Use budget.
- The Medical Examiner is planning to expand on efforts to coordinate and implement mutual aid agreements with other interested counties to provide assistance and share resources. The office currently provides autopsy services to Racine County through a contract.

- The County is planning to work together with the City of Milwaukee, the Milwaukee Metropolitan Association of Commerce (MMAC), and the seven southeastern counties to fund a portion of a regional economic development promotional effort.
- The Parks and Land Use budget appropriates \$286,000 of grant funded expenditures associated with the continuation of the 3-year \$812,300 Smart Growth grant accepted through 2005 enrolled ordinance #160-13. The Smart Growth initiative includes participation from Waukesha County, 27 local municipalities, and SEWRPC in a multi-jurisdictional planning effort to update the comprehensive development plan for Waukesha County.

STATE BUDGET

The State budget remains in a structural deficit which in large part explains why State revenues to local government in 2006 for the most part have been frozen and/or continue to decline. Unfunded mandates continue to grow, which now require levy funding for over 40% or \$ 35.4 million of the County's local property tax. The trend is up from under 25% in 1997.

The County's primary Health and Human Services source of intergovernmental revenue, the Basic County Allocation (BCA), is budgeted in 2006 at \$11.4 million. This fund has not increased in the past ten years (since 1996). The lack of an increase in BCA revenue is a major factor behind Health and Human Services budget reductions and increasing tax levy need.

The lack of funding, coupled with the increasing rate charges above inflationary costs for mandated services, are significant drivers that increase the County's Health and Human Services tax levy need by over an additional \$600,000. Consequently, non-mandated human service programs are being reduced in this budget due to fiscal pressures in mandated program areas. These reductions include the following:

- A reduction of \$85,000 in Non-mandated BASIC grants (Basic Assistance and Services for Individuals in Crisis) from \$167,560 to \$82,560. The remaining funding will be prioritized to provide support services to clients discharged from the Mental Health Center.
- Intake division education and outreach contractual services reductions total almost \$45,000. Specific reductions include a \$26,000 reduction to the Mental Health Association's community outreach/education contract, a \$12,700 decrease in Women's Center domestic violence counseling contract, and a \$6,000 reduction in the Association for the Rights of Citizens with Handicaps (ARCh) outreach/education for developmental disability advocacy.
- A vacant clerk typist position will be abolished resulting in a cost savings of \$47,600 with the remaining clerical and professional staff to absorb the related duties.

While the costs to support the courts have dramatically increased, the State Circuit Court Support Grant funding allocation has been frozen since 2000, placing added pressure on property taxes. The County will need to levy \$150,000 of additional property taxes to support these courts next year in spite of efficiencies and budget actions taken. Circuit Court Services has implemented cost savings initiatives and has also reduced funding of a 0.75 FTE clerical staff position in the Court Commissioners program and absorbed those responsibilities to limit its County tax levy support.

INFRASTRUCTURE INVESTMENTS

The County is a leader in the way it plans for the future. One way that it accomplishes this is through its comprehensive 5-year capital plan that addresses basic infrastructure needs while balancing those of the operating budget. According to recent citizen input, "priority one is to properly maintain what we have first, and once we have accomplished that, continue to expand and improve our infrastructure and facilities."

By embracing this approach, the County effectively manages its resources to maintain low taxes. We also recognize that in balancing these needs, the region's economic development is dependent on the County's capital infrastructure spending, which is critical to the continued growth and vitality of our community.

The Capital Projects plan for 2006-2010 continues its emphasis on the County Trunk Highway System (C.T.H.) and Justice and Public Safety projects. C.T.H. projects total over \$65.0 million, and comprise over 67% of the project plan expenditures. Justice and Public Safety capital expenditures are planned at almost \$17.7 million, which is nearly 18% of the project plan. These two areas total \$83.1 million or more than 85% of capital plan expenditures. Parks and Land Use projects are planned at almost \$7.6 million and make up 7.7% of the capital plan. The 5-year Capital Project plan, at \$97.6 million, notably reduces expenditures by 11% from last year's plan.

The 2006 Capital Project budget expenditures total \$20.7 million for the first year of the plan. This is a decrease of \$9.0 million from the 2005 adopted budget, mainly due to the final year funding of the jail addition in the 2005 budget.

PROJECT FUNDING AND DEBT MANAGEMENT

The 2006 Capital projects budget is funded with expected revenues of \$1.2 million. Fund balance appropriations total \$2.9 million and include a \$ 2.0 million loan from the Material Recycling Fund, and \$810,000 of Proprietary fund balances for related capital projects for various Internal Service fund projects.

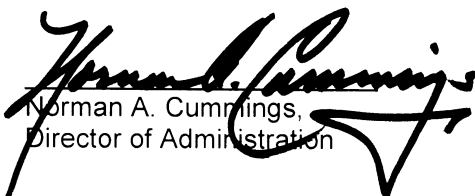
In addition, major project funding includes debt borrowing of \$12.0 million (down from \$14.4 million in 2005), investment income on the borrowed funds of \$525,000, and a tax levy down payment of \$4,083,100. The tax levy amount budgeted for capital projects is reduced by \$754,400 from the 2005 adopted budget amount due to net capital expenditures being lowered by nearly \$3.2 million. After revenues and fund balances are applied, the tax levy will fund 24.6% of the net expenditures, which is well above the 20% required by the County's financial management policies.

The 2006 Debt Service expenditure budget increases \$1,019,663, with tax levy funding for debt issued prior to July 1, 2005, increasing by \$819,663. No new tax levy is proposed for any borrowing after July 1, 2005, to comply with the Legislature's version of the tax levy limit. The Debt Service expenditure to total governmental operating expenditure ratio is expected to decline below 7%, which is significantly lower than the County's performance measure of less than 10%. This budget continues prudent debt management and capital budgeting policies and practices.

ACKNOWLEDGEMENTS

The 2006 budget allows the County to meet its significant challenges that are ahead. We continue to make priority decisions using best practices and strong financial and budget management principles to prepare for the years to come without taking a "just make it through the year" approach. This budgeting philosophy has served the County well and allows us to make necessary investments today that will pay off in future years. With the County Board's continued support in these efforts, Waukesha County will continue to be a leader in limiting tax increases and controlling spending while achieving outstanding results.

Department administrators and staff are sincerely commended for their outstanding efforts in meeting the challenges of this difficult budget.


Norman A. Cummings,
Director of Administration


Keith K. Swartz,
Budget Manager